(d) if not, what steps will RBI take to encourage UCBs in the country to help this special clientale?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. Reserve Bank of India have issued instructions to Urban Co-operative Banks (UCBs) on 15th April, 2005 as measure of prudential exposure limits for borrowers and in line with the best practices. The definition of capital funds has been widened, which consists of both, Tier I and Tier II capital. The revised limit will enable sound banks having strong capital to extend higher amount of loans to individual borrowers and to contain their credit risk by wider dispersion of loans thereby discouraging credit concentration.

(c) and (d) No, Sir. However, UCBs having past accumulated losses may approach RBI. Such cases will be decided by RBI on a case to case basis so as to ensure that lending activities of banks, having past accumulated losses are not hampered due to the revised guidelines.

Reclassification of assets

1659. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that as per the available statistics, 80 per cent of the net profits in the banking industry had been used to write off bad loans in the last couple of years;

(b) whether it is a fact that in a bid to clean up balance sheets, most banks have been reclassifying these assets which is an eyewash; and

(c) if so, the steps Government propose to take to check the practice of reclassification of accounts that has resulted in cleaning up of NPAs?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir. The write-off of bad loans in the last two years for public sector banks has been around 51% of the net profits.

(b) No, Sir. The classification of assets, income recognition and provisioning is based on the prudential norms and guidelines issued by RBI.

(c) Does not arise.